



PIONEER GROUP

PIONEER EMBROIDERIES LIMITED

....a stitch ahead of time

21st ANNUAL REPORT 2013



Dope Dyed Polyester Yarn Unit, Kala-amb, Himachal Pradesh





BOARD OF DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS

RAJ KUMAR SEKHANI	Chairman & Managing Director
HARSH VARDHAN BASSI	Executive Director
ARVIND RATAN SINHA	Independent Professional Director
SUDATTA MANDAL	Nominee of EXIM Bank

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BANKERS

STATE BANK OF INDIA
UNION BANK OF INDIA

COMPANY SECRETARY

BHARTI S GANDHI

COMPLIANCE OFFICER

UDAY NEMLEKAR

STATUTORY AUDITORS

M B A H & CO
Chartered Accountants

Works

Embroidery Plants:

- 1) SARIGAM : 1637, 1639, G.I.D.C. Sarigam, Dist. Valsad, Gujarat-396 155
- 2) NAROLI : Primer Industrial Estate, Survey No.678/1/2, Village Naroli, Silvassa, (U.T.)-396 203
- 3) THANE : Unit No.-1.Vimal House, Dhanji Udyog Nagar, Pankar Pada, Mira Road, Dist. Thane-401 107
- 4) COIMBATORE : Mettupalaym Road, Chinnamaddampalayam, Billich Post, Coimbatore-641 019

Bobbin Lace Plants:

- 1) KARAD : Survey No. 150/4, Village Karad, Madhuban Dam Road, Rakholi, Silvassa, Dadra & Nagar Haveli (U.T.)-396 230
 - 2) COIMBATORE : Mettupalaym Road, Chinnamaddampalayam, Billich Post, Coimbatore-641 019
- Process House : 1638, G.I.D.C., Sarigam, Dist. Valsad, Gujarat -396 155
- Dope Dyed Plant : Village-Kheri, Trilokpur Road, Kala-Amb, Dist Sirmour, Himachal Pradesh-173 030

Offices

- Registered Office : Unit No, 101B, 1st Floor, Abishek Premises, Plot No. C5-6, Dalia Industrial Estate, Off. New Link Road, Andheri (West), Mumbai - 400 058
- Corporate Office : Unit No.21 to 25, 2nd Floor, Orient House, 3-A Udyog Nagar, Off S. V. Road, Goregaon (West), Mumbai-400 062
- Chennai Office : 29 & 30, 3RD Floor, Kumbhat Complex, Rattan Bazar, Chennai-600 003
- Delhi Office : 4986, 1st & 2nd Floor, Baratooti Chowk, Sadar Bazar, Delhi-110 006
- Delhi Yarn Office (DDPY) : 807 & 808, 8th Floor, ITL Twin Towers, Plot No. B-09, Netaji Subhash Place, Pitampura, New Delhi - 110 034
- NCR Office : Plot No. 583, Udyog Vihar, Phase 5, Gurgaon, Haryana-122 061
- Kolkata Office : 14/2, Room No. 135, 2nd Floor, Old China Bazar Street, Kolkata-700 001
- Bangaluru Office : 872, OTL Main Road, Nagrathpet, 1st Floor, Rajatha Hotel Building, Bangaluru-560 002
- Surat Office : Kiran Compound, Near AP Market, Udhna, Surat-394 210
- Mumbai Sales Office : Godown No.1, Rajada Chawl No.2/4, Old Hanuman 2nd Cross Road, Kalbadevi, Mumbai-400 002
- Telephone No. : 91-22- 42232323
- Fax No. : 91-22- 42232313
- Website : www.pelhakoba.com
- E-mail Address : mumbai@pelhakoba.com
- Listing : Stock Exchanges: Bombay Stock Exchange and National Stock Exchange of India Ltd.
- ISIN for Dematerialisation : INE156C01018
- Share Transfer Agent : LINK INTIME INDIA PRIVATE LIMITED
- C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (West), Mumbai - 400 078

NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the Members of Pioneer Embroideries Limited will be held on Saturday, 10th August, 2013 at The Green Village, Malavani Church, Opp. Akashwani Kendra, Marve Road, Malad (West), Mumbai - 400 095 at 9:30 A.M. to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and the Statement of Profit and Loss for the year ended on that date and the Report of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Arvind Ratan Sinha, who retires from office by rotation, and being eligible offers himself for re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

Registered Office

Unit No, 101B, 1st Floor,
Abhishek Premises,
Plot No. C5-6, Dalia Industrial Estate,
Off. New Link Road,
Andheri West, Mumbai - 400 058

By Order of the Board of Directors
For PIONEER EMBROIDERIES LTD.

Harsh Vardhan Bassi
Executive Director

Place: Mumbai

Date : June 4, 2013

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. Under the Companies Act, 1956, voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one tenth of the total shares entitled to vote on the resolution or by those holding paid-up capital of at least ₹50,000. A proxy may not vote except on poll.
2. Proxy Forms duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the Meeting.
3. Members are requested to affix their signature at the place provided on the Attendance Slip and hand over the slip at the entrance to the place of meeting for attending the Meeting.
4. Corporate Members intending to send their Authorised Representatives to attend the Meeting are requested to send a certified true copy of the Board Resolution authorizing their Representative to attend and vote at the Meeting on their behalf.
5. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are, therefore, requested to bring their copies of Annual Report to the Meeting.
6. In terms of the Notification issued by Securities and Exchange Board of India (SEBI), the Equity Shares of the Company are compulsorily traded in Electronic mode. Shareholders are requested to avail this facility and get their shareholding converted into Dematerialised form by sending the Dematerialisation Request Form (DRF) alongwith the Share Certificates through their Depository Participant (DP) to the Company's Registrar & Transfer Agent.
7. The Register of Members and Share Transfer books of the Company will remain closed from August, 6, 2013 to August 10, 2013 (both days inclusive).
8. Members wishing to claim Dividends of the previous years, which remain unclaimed, are requested to correspond with Mr. Uday Nemlekar Compliance Officer, at the Company's Registered Office. Members are requested to note that Dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per section 205C of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund.
9. Dividend for the Financial year March 31, 2006 and thereafter, which remain unclaimed for a period of 7 years will be transferred by the Company to Investor Education and Protection Fund (IEPF). Members who have not so far encashed Dividend Warrant(s) for the aforesaid years are requested to seek issue of Duplicate Warrants(s) by writing to the Company immediately. **Members are requested to note that NO CLAIMS shall lie against the Company or IEPF in respect of any amounts that were unclaimed and unpaid for a period of 7 years from the dates they first became due for payment and no payment shall be made in respect of any such claims.**
10. Members are requested to notify any change in their address to the Registrar & Transfer Agent of the Company M/s. Link Intime Share Registry Limited.



11. Members are requested to apply for consolidation of folios, in case their holdings are maintained in multiple folios.
12. Shareholders seeking any information with regard to the Accounts are requested to write to the Company at least ten days in advance so as to enable the Company to keep the information ready.
13. The Ministry of Corporate Affairs ("MCA"), Government of India, through its Circular No.17/2011 dated 21st April, 2011 and Circular No.18/2011 dated 29th April, 2011 has allowed companies to send Annual Report comprising of Balance sheet, Profit & Loss Account, Directors' Report, Auditors' Report and Explanatory statement etc., through electronic mode to the registered e-mail address of the members. Keeping in view the underlying theme and circulars issued by MCA, we propose to send future communication in electronic mode to the e-mail address provided by you to the depositories and made available by them being the registered address. By opting to receive communications through electronic mode you have the benefit of receiving communications promptly and avoiding loss in postal transit.

Members who hold shares in physical form and desire to receive the documents in electronic mode are requested to provide their details (name, folio no, e-mail id) on the Company's e-mail address viz. mumbai@pelhakoba.com. Members who hold shares in electronic form are requested to get their details updated with the respective Depositories.



DIRECTOR'S REPORT

To,
The Members,
PIONEER EMBROIDERIES LIMITED

Your Directors present their Twenty First Report on the business and operations of your Company for the year ended 31st March, 2013.

FINANCIAL HIGHLIGHTS:

(₹ in lacs)

	For the year ended 31st March, 2013	For the year ended 31st March, 2012
Turnover - Domestic	22,379.37	17,690.87
- Export	1,669.32	3,039.21
Total	24,048.69	20,730.08
Profit / (Loss) before Other Income, Financial Charges, Depreciation, Exceptional Items & Tax	1,489.32	860.82
Other Income	683.68	2,246.61
Profit / (Loss) before Financial Charges, Depreciation, Exceptional Items & Tax	2,173.00	3,107.43
Financial Charges (net)	1,532.19	1,540.13
Profit / (Loss) before Depreciation, Exceptional Items and Tax	640.81	1,567.30
Depreciation	1,266.18	1,213.48
Profit / (Loss) before Exceptional Items & Tax	(625.37)	353.82
Exceptional Items (net)	861.80	764.27
Provision for Deferred Tax Liability / (Asset)	1,851.00	(38.20)
Net Profit / (Loss)	(3,338.18)	(372.25)
Balance of net loss brought forward from previous year	(732.31)	(360.06)
Balance of Profit / (Loss) carried forward	(4,070.49)	(732.31)
Per share data		
Basic Earnings per Share (₹)	(25.41)	(2.88)
Book Value per Share (₹)	37.50	68.98

YEAR IN RETROSPECT

Profit before Other Income, Finance Costs, Depreciation, Tax and Exceptional Items for the year stood at ₹1,489.32 lacs (₹860.82 lacs). However, due to high finance costs and depreciation and lower other income compared to previous year, the Loss before Tax and Exceptional Items for the Company stood at ₹625.37 lacs (Profit of ₹353.82 lacs). The Net Loss after providing deferred tax, stood at ₹3,338.18 lacs (₹372.25 lacs).

During the year under review, the Dope Dyed Polyester Yarn (DDPY) business reported increase in turnover and EBITDA levels. The turnover has grown to ₹17,809 lacs (₹15,613 lacs), an increase of 14%. The operating margins also improved marginally, and EBITDA for the year stood at ₹1,289 lacs (₹1,121 lacs). The growth in turnover was driven by higher capacity utilization and continued thrust on value-added sales. The Company was able to establish its Micro Denier High Bulk Yarns in the market as a substitute to Nylon and Cotton Yarns, thus mainly targeting the Bath Mats and Carpets industry segments. The higher realizations from these segments enabled the division to maintain the margins despite increase in cost of inputs viz. raw material, labour and power, as also the adverse movement in Rupee vis-à-vis the US Dollar. Paucity of working capital has also impacted profitability as share of exports in the total turnover came down.

The Embroidery and Laces division continued to show improved performance with an increased turnover of ₹5,385 lacs (₹4,031 lacs) and an EBITDA of ₹660 lacs (₹142 lacs).

The improved performance was achieved despite old machineries, higher raw material costs and stiff competition from unorganized sector. Focused attention on building operating efficiencies, optimum utilization and regular maintenance of available equipment, improved marketing efforts have aided the performance. Pioneer has also relied on its designing capabilities to lower costs and offer a product-mix which helped in maximizing the contribution.

R&D efforts, specially in the DDPY segment remain central to the operations of your Company. A varied product range and flexible infrastructure are enabling tools in these efforts. Inter-Fibre replacements usage particularly in the Non-Apparel industries like Furnishing, Carpets, and other Niche segments has been the focus of these efforts presently. Your Company aims to meet increasing market demand and to achieve strong earning growth by focusing more on high-margin product mix. The operating performance is thus expected to improve further in the coming years.

INDUSTRY OVERVIEW

The external environment has been hostile for Textile Industry and particularly Filament Yarn Industry as a whole on account of rising Raw material prices and oversupply situation in the industry. PIONEER is able to distinguish itself due to its established position as a Value-Added Yarn Supplier having been able to cater to end-to-end solutions and Niche Segments. This is only possible due to a vast product range and an infrastructure which facilitates flexible production planning.

However, due to a phased implementation of the expanded capacity and deferment of value-added machinery corresponding to the FDY capacity enhanced, there has been a delay in expanding margins. Although the market for Dope Dyed Yarns has increased multifold, almost every Filament Spinning Plant has been forced to diversify in this segment due to reduced margin in Normal Commodity Yarns. On account of increase in suppliers and competition, the margins in direct sale of FDY have been declining. Following factors are mainly responsible for the pressure on EBITDA margins:

1. Higher Raw Material Prices;
2. Increased Competition for Sale of FDY directly;
3. Steep rise in Labour & Power Cost and intermittent disturbances due to labour absenteeism.

YEAR IN PROSPECT:

The Company plans to consolidate its position as a value-added yarn producer providing end-to-end solutions. With better value-added capacity utilization, we are confident to achieve value-added sales component of 65%-70% in place of 53% currently, which should lead to improvement in the overall margins.

Further the Company plans to expand its spinning capacity as well in the short run to keep its overhead per unit at a sustainable level. The building required for the spinning capacity addition is already in place.

A review of the performance during the year is given under the section Management Discussion and Analysis Report.

CORPORATE DEBT RESTRUCTURING

As reported in the last year, your Company had approached its lenders to rework the restructuring scheme. However, the lenders are yet to approve the reworked package. The Company had in the mean time put in place the TRA mechanism and a sum of ₹800 lac was cut back from the operations and retained by the bankers during the year in the TRA Account. Your Company has also offered a "One Time Settlement (OTS)" to the lenders and has successfully negotiated OTS with Axis Bank and ICICI Bank. The payment to Axis Bank under OTS was completed during the reporting year itself, while payments to ICICI Bank are in progress. Efforts to reach some sort of debt restructuring, in line with the current business operating scenario, with other lenders are also being pursued.

The formal agreement for settlement of outstanding FCCBs of USD 11 million, which are already matured for payment in the reporting year, was delayed due to change in the Administrators, thereof. The new Administrators have now approached the Company and the settlement is expected to be formalized during the current fiscal.

LISTING

The Equity Shares of the Company are listed with the BSE, NSE, Delhi and Kolkata. The Company had applied for delisting the Company's Equity Shares from the Stock Exchanges at Delhi and Kolkata but has not yet to receive the permission for delisting from these Stock Exchanges.

The Company has paid the listing fees for the year to all the stock exchanges, where the shares of the Company are listed.

DIVIDEND

In view of accumulated losses, the Directors have not recommended any dividend for the year.

CONSOLIDATED FINANCIAL STATEMENTS

The Ministry of Corporate Affairs (MCA) by General Circular No.2/2011 dated 8th February, 2011, issued a direction under Section 212(8) of the Companies Act, 1956 that the provisions of Section 212 shall not apply to companies in relation to their subsidiaries, subject to fulfilling certain conditions mentioned in the said circular with immediate effect. The Board of Directors of your Company at its meeting held on June 4, 2013, approved the Audited Consolidated Financial Statements for the financial year 2012-13 in accordance with the Accounting Standard (AS-21) and other Accounting Standards issued by the Institute of Chartered Accountants of India as well as Clause 32 of the Listing Agreement, which include financial information of its subsidiary, and forms part of this report. The Consolidated Financial Statements of your Company for the financial year 2012-13, are prepared in compliance with applicable Accounting Standards and where applicable Listing Agreement as prescribed by the Securities and Exchange Board of India.

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The annual accounts and financial statements of the subsidiaries of your Company and related detailed information shall be made available to members on request and are open for inspection at the Registered Office of your Company. Your Company has not attached the financial statements of its subsidiaries for the financial year 2012-13. A statement of summarized financials of the subsidiary of your Company including capital, reserves, total assets, total liabilities, details of investment, turnover, etc., pursuant to the General Circular issued by Ministry of Corporate Office, forms part of this report.

SUBSIDIARY COMPANIES

The gross sales of the Hakoba Lifestyle Limited in current year stood at ₹79 lacs as compared to ₹586 lacs during previous year. Loss after tax and exceptional item stood at ₹1,005 lacs as compared to ₹713 lacs during previous year.

The gross sales of Mas Embroideries Private Limited in current year stood at ₹Nil (₹9 lacs). The Company has incurred a net loss of ₹0.72 lac as compared to net profit of ₹163 lacs (basically on account of exceptional income in previous year).

Pioneer Realty Ltd. had no activity during the year.

S.R Investments Limited has investment holding as a principal activity and has incurred net loss of ₹ Nil (₹5 lacs) excluding service charges payable to the Company.

The statement of subsidiaries pursuant to section 212 of the Companies Act, 1956 is attached and forms part of this report.

DEPOSITORY SYSTEM

The trading in the equity shares of your Company are under compulsory dematerialisation mode. As on date, shares representing 97.91% of the share capital are in dematerialised form. As the Depository System offers numerous advantages, Members are requested to take advantage of the same and avail of the facility of dematerialisation of the Company's shares.

FIXED DEPOSITS

During the year under review, the Company has not accepted any Deposits within the meaning of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 and as such no amount of principal or interest was outstanding as on the Balance Sheet date.

SAFETY, HEALTH & ENVIRONMENT

As hitherto, all efforts were taken to ensure safety in the operation of the Plants, promote health and protect the environment. The health of the Employees is being continuously monitored and environment improvement measures in and around the Plant area are being given due care and attention.

HUMAN RESOURCE

The Company takes pride in the commitment, competence and dedication shown by its employees in all areas of businesses. The Company takes various HR initiatives to align the HR policy to the growing requirements of business.

Your company regularly conducts technical and safety training programmes.

PARTICULARS OF EMPLOYEES

The Company does not have any employee whose particulars are required to be furnished in terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time.

DIRECTORS

Mr. Arvind Ratan Sinha retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

INSURANCE

All the insurable interests of your Company including inventories, buildings, plant and machinery are adequately insured against risk of fire and other risks.

ACCOUNTING STANDARDS AND CONSOLIDATED FINANCIAL STATEMENTS

A company, whose securities are listed on the Stock Exchanges, is compulsorily required to follow the Accountings Standards prescribed by the Institute of Chartered Accountants of India. As a consequence, the Company is obliged to make a provision for deferred tax assets net of deferred tax liability in the accounts the Company has reversed deferred tax assets of ₹1,851 lacs, in the year under review in view of continuous losses in the recent years. The deferred tax assets shall be created again on turnaround of the company.

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In accordance with the Accounting Standard -21 on Consolidated Financial Statement read with Accounting Standard -27 on Financial Reporting of Interest in Joint Venture, your Directors provide the Audited Consolidated Financial Statements in the Annual Report.

AUDITORS

M/s M B A H & CO, Chartered Accountants are to be appointed as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

AUDITOR'S REPORT

The observations made in the Auditor's Report to the shareholders are self-explanatory. The qualifications by auditors, are either self-explanatory or are explained in notes to accounts.

DIRECTORS RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that:

- (i) In the preparation of the Annual Accounts for the year 2012-13, the applicable Accounting Standards have been followed, except otherwise stated in Notes to Accounts and Accounting Policies;
- (ii) The accounting policies selected and applied are consistent and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the loss of the Company for the year;
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) The annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, a Report on Corporate Governance with Auditors Certificate on Compliance with the conditions of Corporate Governance and a Management Discussion & Analysis Report has been attached to form part of the Annual Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are attached as Annexure to this report.

ACKNOWLEDGEMENT

The Management of your Company is grateful to the CDR-Cell, Government authorities, Shareholders, Valued Customers, Company's Bankers, Financial Institutions, Raw Material Suppliers, and other Business Associates for their continued support and co-operation.

The Directors also wish to place on record their appreciation of the co-operation, active involvement and dedication of the employees, which enabled the Management to contribute to the growth of your Company.

For and on behalf of the Board of Directors

Place : Mumbai.
Date : June 4, 2013.

RAJ KUMAR SEKHANI
Chairman



ANNEXURE TO THE DIRECTORS' REPORT

- I. Statement pursuant to Section 217(1)(e) of the Companies Act, 1956 and the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31.03.2013.

A) CONSERVATION OF ENERGY:

The manufacturing processes of the Company are not energy intensive, therefore impact of energy saving devices are insignificant.

B) TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

The Company has not imported any technology at any time during the last five periods except erection of modern technology based machines.

RESEARCH AND DEVELOPMENT:

- | | |
|---|--|
| a) Specific areas in which R & D has carried out by the Company | The Company has carried out R & D in the area of product development & cost reduction. |
| b) Benefit derived as a result of R & D. | Sales and quality of the products of the Company has improved substantially. |
| c) Future Plan of action | The Company plans to strengthen its R & D activity and intensify its cost reduction programme. |
| d) Expenditure on R & D | Expenditure has been incurred but no separate account is kept. |
| i) Capital | |
| ii) Recurring | |
| iii) Total | |
| iv) Total R & D Expenditure | |

As a Percentage of total turnover.

C) FOREIGN EXCHANGE EARNING AND OUTGO:

(₹ in lacs)

	2012-13	2011-12
Total Foreign Exchange Used (Payment Basis)	350.09	531.54
Total Foreign Exchange Earned	1,786.21	3,095.47

For and on behalf of the Board of Directors

Place : Mumbai.
Date : June 4, 2013

RAJ KUMAR SEKHANI
Chairman